

Conducting a Successful Fundraising Program

A Comprehensive Guide and Resource

Kent E. Dove

Ch. 2, Choosing a Campaign Model

The choice of a campaign model is a decision by the nonprofit as to how it will package and present its overall fundraising strategy to its constituents at a given point in time or over a long period of time. This chapter outlines the various models most commonly used, suggests a new model to be used in the future, and summarizes factors that influence the choice of a model.

Fundraising is a goal-driven process. The goal consists of organizational priorities expressed in terms of both institutional needs and the dollars necessary to fund those needs. These goals are arrived at through the case-stating process outlined in Chapter Three. The process also almost always includes a timeline or deadline. For the annual giving program, the timeline is generally one year. For larger-scale capital efforts, the timelines range from a few months to several years.

Campaigns and the Forms They Take

A fundraising program is ordinarily referred to as a *campaign*. A campaign is organized (it has a structure); it is intentional (it follows a plan); it is systematic (volunteer enlistment and prospect cultivation and solicitation are from the top down); and it is strategic (movement and progress are plotted). Its approach to fundraising is delineated publicly as a set of priorities to be met and dollars to be raised in a specific period of time. Not all aspects of fundraising are campaign-bound, however. Planned giving, research, donor relations and stewardship, gift and account administration, and corporation and foundation relations are examples of fundraising activities that are ongoing and guided more by donors' timing and decisions than by institutional agendas and timelines.

But the paradigm that has emerged over the past century is the campaign model. Although the general principles of fundraising tend to be universally applicable to any type of organization, there are different campaign models. Four rather distinctive forms are found today:

1. The traditional annual campaign
2. The traditional capital campaign
3. The comprehensive campaign
4. The single-purpose campaign

Traditional Annual Campaign

Fifty years ago, the vast majority of third-sector institutions that engaged in fundraising ran annual campaigns seeking funds to provide for current programs and services and to pay for operating costs, in full or in part. This is the annual campaign in its purest form. Historically, when institutions decided a capital campaign was needed, the traditional campaign model was the one chosen, and the annual campaign was run as a separate, independent program. For reasons to be described shortly, this model is not used nearly as much today, although many organizations, usually smaller ones, still depend on the annual drive as their primary means of fundraising support. The United Way movement is the quintessential user of this model; community religious organizations and smaller nonprofits working in geographically focused areas depend largely on this model too. It features individual solicitation of the top prospects and is almost always supplemented by the use of direct-mail techniques to reach a larger number of prospects who cannot be contacted efficiently or effectively in person. Telemarketing is also used but is a less popular option. Electronic fundraising is the newest emerging feature now being used to supplement and enhance annual fund appeals, but its use may be less effective for small, local nonprofits.

Traditional Capital Campaign

The traditional capital campaign is a fundraising effort designed to secure gifts of capital assets to meet the capital needs of an organization, to build buildings, and in some instances to build the endowment--funds held in perpetuity with only a portion being spent each year. It is characterized by a highly motivated volunteer group working in a tightly organized and managed manner to meet a specific overall capital goal with one or more objectives during a specific period, usually three years or less. The volunteers make every reasonable effort to see all constituents and special friends on a face-to-face basis because the campaign is regarded as a once-in-a-lifetime program: traditional capital campaigns are typically spaced many years or even decades apart, and they usually occur only once during the major donor population's giving life. They are often superimposed on the ongoing development effort. In some instances, other fundraising efforts, especially annual campaigns, are suspended or downplayed during traditional capital campaigns. It is common to create a separate campaign office, budget, and staff for the sole purpose of supporting this type of effort.

The traditional capital campaign is still used in a variety of situations--the church is building an addition, the Y is constructing a swimming facility, the scout troop is founding a summer camp--but at least three important changes in campaigning have made the traditional model less fashionable today (and have led, increasingly, to the use of the comprehensive campaign and the single-purpose campaign):

First of all, a traditional capital campaign seeks gifts of capital assets to meet the capital needs of the institution. Today's capital campaigns are often designed to meet other needs, too; more gifts are being made to support all purposes, including capital.

Second, an institution conducting a traditional capital campaign runs the risk of restricting or damaging its other established, ongoing giving programs, and this is a risk that fewer and fewer institutions are willing or able to take.

Third, the traditional capital campaign attempts to reach all constituents and friends of the institution on a one-to-one, face-to-face basis. For many of North America's third-sector institutions, this is no longer possible either financially or logistically, given their number of constituents, the constituents' geographical distribution, and the high costs of fundraising.

Comprehensive Campaign

The comprehensive campaign is a major development program with specific goals and timetables. It almost always includes, under one umbrella, its current operations, onetime goals, and endowment objectives. It generally lasts for three to five years, although some campaigns are longer and some are conducted in phases. Gifts and pledges of all kinds, including annual as well as planned and deferred gifts, are often sought and counted in the campaign total. In many instances, the campaign is less dependent on volunteers, and there may be increased involvement of administrators and staff, not only as cultivators but also as solicitors, who concentrate on maximizing the gifts of major prospects through intense personal solicitation, often approaching both special and general prospects by telephone or direct mail. This type of campaign is related to the total development program and often encompasses other ongoing giving programs. The comprehensive campaign model is especially attractive to large, complex organizations that want to keep the total fundraising effort under one umbrella or want to work toward a more substantial goal above and beyond the "new money" goal set for dollars to be raised during the campaign, realizing that often the whole is greater than the sum of its parts, as Harvard demonstrated during its most recent successful campaign.

Single-Purpose Campaign

The single-purpose campaign raises money for an individual building, an endowment fund, or any other isolated objective. It is often targeted at one particular special-interest constituency, and it is generally not undertaken as part of the overall development effort; instead, it is supplemental to that effort.

Regardless of an institution's size or complexity, it is usually best to conduct a single, unified campaign. In large, administratively complex organizations, however, which use the single-purpose campaign almost exclusively, one unified campaign is not always possible or sometimes even desirable. Indeed, many institutions today are continually moving into and out of single-purpose campaigns--even, occasionally, into two or three or more at the same time.

It is becoming more and more common for this form of campaign activity to lead the institution to employ a full-time professional fundraiser, sometimes with a staff, whose responsibility is major and special gifts and who is given a job title to that effect.

Pros and Cons of the Capital Campaign

In 1980 a thought-provoking seminar for senior development professionals included a discussion of the capital campaign. The presenter, Joel P. Smith, left the audience with two questions: Is a capital campaign the right way to do fundraising? If not, how will fundraising get done?

In the essay that grew out of the ideas presented there, Smith (1981) developed the point that capital campaigns entail pros and cons. For twenty-five years, it has been an almost unchallenged axiom of fundraising that capital campaigns are a good idea. They are the centerpiece of fundraising programs in most institutions, and many institutions judge the success of fundraising programs by the magnitude and frequency of the campaigns they conduct. There is quite a persuasive case to be made for capital campaigns. Nevertheless, there is also room for more skeptical observations.

Pros

Capital campaigns provide valuable discipline in terms of planning, setting schedules, establishing goals, and providing an opportunity to manage by objectives--a rare opportunity in fundraising. Campaigns also inspire donors to make larger commitments than they otherwise would--commitments, to be sure, that may be spread over a considerable time but are nevertheless larger than they would be in the ordinary course of events.

A campaign produces results with long-term effects, and so the institution's ability to enjoy these results is not limited to the campaign period itself. Because standards have been raised during the campaign effort, it is reasonable to expect a higher level of giving afterward than was the case before.

A campaign also provides valuable, intensive experience for the development staff. Because so much is going on, and at such a level of intensity, there is an opportunity for dramatic professional growth that otherwise would not occur. There is so much to do that the staff, one way or another, learns how to do it and get it done, emerging as a group of experienced professionals. Moreover, campaigns provide not just discipline but also esprit de corps. They create a climate in which team members come together emotionally to accomplish some mutual objective. And because fundraising is a human, emotional activity, that spirit is a very valuable component in getting the job done.

These arguments amount to a really quite persuasive case. Therefore, it is not at all surprising that so many institutions have accepted these arguments and gone forward with campaigns. Indeed, some have gone forward with several campaigns over the past few decades. Nevertheless, there are some other, seldom aired, considerations.

Cons

When it comes down to the day of decision, a great many institutions are forced to conclude, reluctantly, that they simply do not have staff members with the requisite competence and experience to conduct a successful campaign. As a result, they turn to consultants or to short-term contract employees to conduct their campaigns. This is not to denigrate consultants or contract professionals--there are many honorable, able people who help numerous institutions in those roles--but turning to temporary help does have serious drawbacks. For one thing, the consultants and contract professionals will leave after the campaign. Therefore, the opportunity for professional growth, which is one of the most forceful arguments in favor of the campaign, is forfeited to some degree. Instead of building a professional staff that will be in place to conduct a refined fundraising program when the campaign is over, the institution has set up a situation in which some of the key players will leave, taking with them valuable knowledge and experience, no matter how conscientious they are about recording their knowledge in the institutional files. Furthermore, no matter how sophisticated consultants and contract professionals are, they may not be able to represent the institution with the same understanding, conviction, and depth of experience and local knowledge that the institution's professional staff can. And if there is a sine qua non of being a first-rate fundraiser, it is to have conviction and understanding about the place being represented.

Campaigns, almost by definition, place terrific emphasis on current results. The point of a campaign is to force as many gifts as possible over a prescribed period in order to achieve a goal that is often a stretch. Truly sophisticated fundraising is patient, and campaigns have no place for patience. Campaign deadlines, although they provide discipline, sometimes also encourage impetuosity. The emphasis on getting gifts now

in order to reach the goal may cause an institution to accept, for example, a \$50,000 gift now when a larger gift would have been available had the institution been more patient. There is a definite risk of haste and waste in campaigns.

It is difficult during a campaign to maintain the appropriate focus on an institutional agenda because there is so much attention directed to the bottom line, as well as such enthusiasm, eagerness, and determination to make the number on the bottom as large as it can be. But what is more important than amount is utility-not just bringing gifts to the institution but bringing in gifts that underwrite the institution's most important purposes. It is ironic that institutions lose this focus during campaigns, because campaigns are almost always preceded by months of discussion and planning about what it is important to raise money for. But the product of such discussion is often a comprehensive wish list rather than a rigorous evaluation of whether it is more important to have gifts for improving facilities or for expanding services. Assuming that the institution cannot have both, how is it to make the choice? Campaigns rarely force this kind of trade-off thinking; instead, they encourage the optimistic attitude that the longer the laundry list of desirable objectives, the more probable it is that the institution will achieve the vast dollar amount representing the total objective.

Campaigns make fundraising episodic. The institution pulls out the throttle for two, three, or four years; then it falls back, giving the volunteers and others some time off; then it regroups to think about another campaign; then it gears up for the next all-out assault. Most refined fundraising programs are not episodic, however. They are patient and sustained, they look to the long term, and they resist the temptation to be proud of their immediate accomplishments.

Then there is the matter of taking time off when a campaign is over. The conventional wisdom is that campaigns are so intensive and call for such effort, not only from the institutional team but also from volunteers, that everybody needs a rest. Furthermore, the argument runs, if the institution is successful in a really ambitious campaign, it will have picked all the pears there are on that particular tree and is going to have to take some time off to let new pears grow.

This is a really dangerous fallacy. It assumes that the body of prospects with whom the institution works is finite, that there are a certain number of interested people, loyal to the institution, from whom it is reasonable to expect gifts, and that the institution will go to them during the campaign and get an answer, yea or nay, so that when the campaign ends it is important to take time off, renew and regroup, and give these loyal supporters a rest.

But that is not what happens during a campaign. What happens is that a significant portion of the prospects give the institution an ambiguous answer. When the institution concludes its campaign and takes time off, *it forfeits the opportunity to follow through with those people.* Moreover, a campaign that covers three years lasts a long time, and the body of prospects is not some fixed constellation of individuals that remains static over that time. It changes by 20, 30, or 40 percent during the campaign. During that period, alliances emerge with people who become interested in and enthusiastic about the institution for the first time. To let down immediately after a campaign is to forfeit the opportunity to nurture alliances with these people, who have the potential to become important prospects over the next several years.

Campaign goals are also getting terribly large. The needs listed in a capital campaign today add up to a number likely to startle most people who care about the institution. Among those who are understanding and who are really close to the institution, an

explanation of those needs will be received sympathetically. But with many, many people, the institution has the burden of making a case that is awfully difficult to make convincingly. How much credibility can there be in the claim that an unusually large goal is a realistic reflection of what an institution needs--that the institution has done the kind of soul-searching that warrants the assertion that these really are worthy objectives crucial to the quality of the institution? Is the institution coming across as grasping, as reaching for some dramatically large amount, hoping that somehow it might get it but willing to settle for less?

Clearly, whether to have a capital campaign is not the only issue. There is another very significant question: If a capital campaign will not be conducted, what are the alternatives? Surely no one can be satisfied with less than the most ambitious fundraising program appropriate to the institution's situation. The quality of all institutions is in jeopardy, and most have reached the point where their health can no longer be improved by the reduction of expenditures. The road to survival is not to sacrifice the quality of the organizations that constitute the third sector through radical cost cutting. The road to survival--for some, literal survival; for most, survival with a respectable level of quality--is somehow to bring in enough funds to underwrite the critically important objectives, the objectives that define quality for each institution and its mission.

A Proposed Solution: Continuous Lifetime Giving Program

The best answer to Smith's questions, and one that addresses many of his concerns, is the development program based on continuous lifetime giving. This approach requires many of the essential components of any successful campaign to be incorporated into the everyday life of the organization. It presupposes that an organization's administrative leaders have done careful, thoughtful analysis and planning and that the resulting objectives, in terms of both operations and capital, fit into the overall long-range strategic plan. It mandates that the board approve plans and, through the approval process, accept leadership responsibility. It requires that needs be real and compelling and that the case for them be articulate and stimulating. It directs that the case and the goal be tested and validated in the market before the campaign (annual or capital), insists that proper internal preparation take place, and appreciates that there must be a prospect pool able and willing to meet the fundraising goals that have been established.

The A. T. Kearney Study

A. T. Kearney, Inc., based in Chicago and in operation since 1926, is one of the premier management consulting firms in the United States. In 1997 the firm performed an analysis of the giving trends, marketing practices, and strategic direction of the Indiana University Foundation (IUF).

The study was the first of its kind for Kearney. Although Kearney typically consults more with major corporations and commercial and service industry clients than with institutions of higher education that market "intangibles" in their giving programs, the firm's expertise in analyzing data and data trends was readily applied to over 200,000 donor records provided by IUF. In addition to analyzing these data, Kearney gained insight into the institution and its sector by interviewing Indiana University (IU) and IUF administrators, officers, and deans, as well as the presidents of five peer universities' fundraising foundations. Kearney gave IUF a rare opportunity to see how taking a for-

profit approach to fundraising can bring it closer to achieving its objectives without compromising its nonprofit identity and integrity.

Overall, Kearney concluded, IUF did an excellent job of securing large gifts from top donors, but it did not spend adequate time and resources on younger, less mature donors who represented a sizable source of untapped funding. Kearney recommended that IUF work toward developing a "continuous lifetime giving" program—one that begins simply with participation when a student graduates from IU but evolves into a major or planned gifts effort over the life of the donor. Young donor acquisition and retention, coupled with continuous contact and cultivation, are essential phases in moving donors along in this giving cycle. Kearney recognized that each of IU's many schools and campuses had its own level of fundraising sophistication. To maximize giving to each school, IUF needed to implement a more strategic, tailored, targeted marketing effort than it currently had in place. Developing a continuous lifetime giving program required IUF to change the way it thought about marketing to its various donor segments.

This approach will be required in the future of organizations that want to move to the next level of support. It is true that giving in the United States increases nearly every year, and over the past fifty years, giving as measured by three-year rolling averages has risen continuously. It is also true that over more than a quarter century, the percentage of gross domestic product and the percentage of household income given to nonprofits have remained fairly constant.

- Between 1968 and 1998, according to the American Association of Fund-Raising Counsel Trust for Philanthropy (1999), giving has ranged from a high of 2.1 percent to a low of 1.7 percent of gross domestic product.
- In 1998, giving represented 2.1 percent of GDP, the same percentage as in 1968.
- To reach 3 percent of GDP, giving would have to have been more than \$80 billion higher than it was in 1998.
- Over the same thirty-year span, personal giving has ranged from a high of 2.1 percent to a low of 1.6 percent of personal income.
- The 1998 estimate of personal giving of \$134.84 billion represents 1.9 percent of personal income. If individuals had contributed 2.1 percent of personal income in 1998, personal giving would have reached \$149.63 billion.
- There is some question about whether income is the appropriate measure by which to benchmark giving. Households that contribute large percentages of their income to nonprofits are often making such gifts out of assets or wealth, not from annual income. These households account for much of the nation's charitable giving.

The Kearney study opened eyes. IUF's development staff members, like those at most other institutions, were hired for their people skills and their fundraising expertise, not for their analytical and marketing skills. *Marketing* is a term that is broadly defined. To some it means sales or advertising; to others it means public relations or communications. IUF, like many other nonprofits, have people with all these skills. What was needed, Kearney stated, was analytically skilled people--marketers, statisticians, mathematicians, programmers--who could combine the expertise of their disciplines with the experience of the fundraisers to produce a new, more strategic, more focused, more productive, more cost-effective way of raising money.

Most organizations, in looking for the next major donor prospect, are manually combing through a haystack looking for needles. A better way is to do the looking with a magnet--a powerful one. The combination of technology and analytical marketing skills will create that magnet in the future for those nonprofits that use it.

But does this mean that nonprofits have to give up the old practices for the new ones or the new for the old? Nonprofits will not have to give up either if we can incorporate a sophisticated marketing department into our organizational structure. By identifying the most promising prospects, old and new alike, a marketing department will increase the efficiency and success of the development team: instead of having to search for the prospects, fundraisers will be able to devote maximum time and resources to developing and cultivating the relationships that are most likely to result in private support.

The mission of a marketing department is to facilitate and support any nonprofit's development division in its ongoing effort to maximize private support for its organization through the systematic, intentional implementation of a continuous lifetime giving program. This program will identify the varied financial resources and personal goals of an organization's constituency and will then match them with corresponding priorities of the organization.

The uniqueness of the nonprofit's "customer" is significant, according to a report (Thiede, 1998); for any nonprofit to be successful, it must convince its constituents to *give away* their resources, not for the sake of a tangible product that could benefit them directly, but rather for the satisfaction of knowing that their gifts have enhanced the lives of others. This approach makes fundraising a very emotional business--and different people are emotional about different things. Each organization will know, or needs to know, what its constituents are passionate about. The marketing department's job is to identify who is emotional about what and then to match appropriate prospects with the needs of the organization.

The overall objective of the marketing department, then, was to help development professionals secure private gifts. Within this framework, the specific objectives and responsibilities of the marketing department are defined by the five-part GIFTS program, outlined by Thiede (1998) and named for the first letter of each of its components:

1. *Gathering* information on current and prospective donors
 - o Keeping the database updated with pertinent demographic information
 - o Systematically recording all donor affiliations and activities
 - o Writing, conducting, and analyzing market survey projects for all institutional needs
2. *Identifying* donor segments for various giving programs
 - o Obtaining demographic information (age, income, property, names and number of children, and so forth)
 - o Establishing levels of loyalty (gift amounts and gift frequency)
 - o Making connections with donors (matching institutional needs with donors' affiliations, activities, and interests)
3. *Fostering* lifelong donor relationships through consistent, targeted communication
 - o Increasing emphasis on targeted direct-mail marketing programs
 - o Developing "brand loyalty" by increasing the quality and frequency of communications
 - o Developing donor--and project--specific marketing materials
 - o Personalizing communication materials whenever possible
 - o Using the organization's Web site to maximize constituents' exposure to the organization
4. *Tracking* performance through systematic statistical analysis
 - o Noting response rates to direct mail, customized correspondence, and personal solicitations
 - o Calculating median gift amounts
 - o Noting participation levels

- Noting trends in giving (increases, decreases, or stagnation)
- 5. *Sharing* results and information
 - Disseminating "best practices" information throughout the organization, to help development professionals and programs achieve their own objectives

The Kearney report found that the groupings used to segment age (under 45, 45-65, and over 65) and income (under \$75,000 and over \$75,000) gave a good general illustration of how donors' life stages and income level can influence their levels of support. Nevertheless, there are segments within these segments, and each segment represents an opportunity to develop a more targeted and more effective marketing strategy. For instance, consider, on the one hand, a recent college graduate starting a first job and, on the other, a forty-year-old who has a successful business. If one makes \$25,000 and the other \$70,000, both donors might fall into the "under 45, single, under \$75,000" segment, but their circumstances are obviously different, and each should be approached differently. This example shows the need to divide donors into smaller segments that keep relationships between age and lifestyle in mind (Thiede, 1998).

The Kearney report also recommended that donors' loyalty be examined to identify trends in giving for use in developing targeted marketing strategies for specific donor segments. In analyzing donors' loyalty, it is important to remember, once again, that fundraising is different from selling products like soap, bread, gasoline, or milk, which consumers are generally obliged to buy. Nonprofits' "customers" are people who give their money away, and so they are a unique kind of customer. Kearney (A. T. Kearney, Inc., 1997) defines three levels of loyalty:

- Loyal (donor has given four or five times in the past five years)
- Supportive (donor has given two or three times in the past five years)
- Erratic (donor has given once or not at all in the past five years)

However, basing loyalty analysis on the consistency and frequency of gifts given over a period of time is likely to paint an incomplete picture of loyalty (Thiede, 1998). To illustrate, Table 2.3 shows the gifts of two different donors over the same five-year period. Both donors have given five gifts over five years, and each donor has given a total of \$750. If they were evaluated by the number of gifts made, both donors would be deemed loyal, and equivalent time and resources to retain their gifts would be spent. But the trends in their gift amounts reveal very different levels of loyalty, and these should be factored into the marketing strategy for each donor:

**Table 2.3. Comparison of
Two Donors' Gifts Over Five Years.**

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Donor 1	\$50	\$100	\$150	\$200	\$250	\$750
Donor 2	\$350	\$250	\$50	\$50	\$50	\$750

- Donor 1 has steadily increased his gift amount. Therefore, he should be acknowledged for consistent giving and asked either to maintain or slightly increase his gift

increase his gift.

- Donor 2 seems to have lost interest after year 2. Therefore, he requires cultivation to return to his previous level of giving.

Determining a donor's loyalty requires a more comprehensive look at the donor's giving history than can be gleaned from a single factor. Additional questions to be asked in determining a donor's loyalty include, but are not limited to, the following:

- Has the donor's gift amount decreased, increased, or remained constant over the years?
- Has the donor been solicited every year?
- How was the donor solicited? By direct mail? Telephone? A personal visit? Some combination?
- Has the donor given each year, or did the donor make multiple gifts in one year?

Simultaneous evaluation of these kinds of questions will help develop more effective marketing strategies for different donor segments (Thiede, 1998).

Institutional leaders, realizing that there is a limit to the number of times extraordinary fundraising efforts can produce quick and effective solutions to today's problems, are accepting three premises: (1) that strategic organizational planning will become an accepted, even required, practice in all nonprofit organizations; (2) that strategic analysis such as Kearney prescribes will also become a requirement; and (3) that this type of planning and analytical thinking will eventually lead to better management practices and better managers for the institutions using it and for their development programs. Where strategic planning is used, development programs become multiyear efforts designed in supportive concert with institutional strategies. This approach results in perpetual campaigning to satisfy capital and other needs through a continuous lifetime giving fundraising effort, with major "subcampaigns" harmoniously integrated into the ongoing program. These subcampaigns are thus far less obvious as extraordinary fundraising efforts than is the case when the other models are used.

This is not to suggest that institutions using the strategic planning method will not, from time to time, continue to engage in intensive, time-specific "capital campaigns" with defined goals. They will. Apart from the sheer volume of dollars that can be raised when a heightened sense of urgency and importance is created, and apart from the psychological and motivational strategies that can maximize giving in the excitement of a campaign, sometimes an institution simply wants to bring to itself the special attention that a campaign provides. What is different in the future-oriented strategic planning environment is that those institutions that campaign will do so because they choose to do so, not because they have no other plausible alternative. Therefore, announced capital campaigns, as they have traditionally been known, will probably become less frequent; when undertaken, however, they will, curiously, have many of the traditional characteristics of the campaigns that Charles Sumner Ward first organized more than eighty years ago.

The selection of the campaign model to be used in a particular situation will be influenced by a number of factors:

- The commitment to and quality of strategic institutional planning
- The development program's current level of maturity and sophistication

- The development staff's experience and ability
- The availability of leadership for the campaign
- The impressiveness of the case to be made
- The potential of the major donor prospects
- The range and scope of the anticipated campaign effort

There is no one correct model for all institutions or all situations. In fact, the best way to serve a particular situation may be to incorporate features of more than one model.